

NHS Greater Glasgow and Clyde

AR (M) 18/03 Minutes: 28-37

**Minutes of the Audit and Risk Committee meeting  
held in JB Russell House  
on Tuesday, 19th June 2018**

**PRESENT**

|                             |               |
|-----------------------------|---------------|
| Mr A Macleod (in the Chair) |               |
| Ms J Forbes                 | Dr D Lyons    |
| Mr J Matthews               | Ms A Monaghan |
| Mr S Carr                   | Mr R Finnie   |

**IN ATTENDANCE**

|                 |   |
|-----------------|---|
| Ms J Grant      | Chief Executive                                       |
| Mr M White      | Director of Finance                                   |
| Ms E Vanhegan   | Head of Board Administration and Corporate Governance |
| Mr P Ramsay     | Assistant Director of Finance                         |
| Mr M Gillman    | Financial Governance Manager                          |
| Mr M Sheils     | Head of Financial Services                            |
| Mr D McConnell  | Audit Scotland  |
| Ms L Maconachie | Audit Scotland  |
| Ms L Yuill      | Audit Scotland  |
| Ms B Southern   | BDO   |
| Mr C Brown      | Scott-Moncrieff                                       |

**Action by**

**28. Private meeting with the Audit Scotland**

As part of the normal governance arrangements, and in accordance with its remit, prior to the main meeting, members of the Audit and Risk Committee held a private meeting with Audit Scotland without officers of the Board being present.

**29. Welcome and Apologies**

Apologies for absence were intimated on behalf of Cllr J McColl.

Mr Macleod welcomed Ms Barbara Southern from the Board's Endowments Funds auditors, BDO. Mr Macleod advised members that the main purpose of the meeting was to scrutinise the financial statements, and he apologised for the lateness of the annual accounts papers, explaining that this is an enormous undertaking to complete these in a tight timescale. Mr Macleod thanked colleagues involved in the preparation and audit of the accounts for their efforts in bringing these to a conclusion.

**Noted**

**30. Declarations of Interest**

There were no declarations of interest disclosed.

**Noted**

**31. Minutes**

The minutes of the meeting on 5 June 2018 (A(M) 18/02) were approved as a correct record of the meeting.

**Approved**

**32. Endowment Funds Annual Accounts**

Mr White highlighted the key points from the Endowment Funds Annual Accounts for members including the overall income for the year and related expenditure, and also the year end market value of the investment portfolio. Mr White recorded his thanks to Mr Sheils and the endowments team for their work during the year.

Ms Southern presented the BDO report to the Trustees. The report provided an overview of the audit matters that BDO considered are important in reviewing the results of the audit of the Endowment Funds Accounts. She described the methodology they had used to address the significant audit risks, and the outcomes of their procedures. She advised that they had achieved their audit objectives and that, subject to the successful resolution of outstanding matters, they anticipated issuing an unqualified opinion on the charity's financial statements for the year ended 31 March 2018. Ms Southern advised that the key areas of risk related to management override of controls, revenue recognition and investments, and no significant issues were identified by BDO.

Mr Gillman also advised members that a statement of assurance from the Endowments Management Committee was also presented for members information; it confirmed that its members considered that the committee had properly discharged its duties and that there were no significant weaknesses or matters of concern to report.

Mr Macleod thanked Ms Southern for her clear and comprehensive report, and there followed some discussion on both the accounts and auditor's report. Ms Monaghan said that she trusted that there were no investments in companies involved in the weapons trade; Mr Macleod requested that this issue be referred to the Endowments Management Committee.

Mr Macleod stated that he and Mr Finnie would pick up some minor drafting issues with Mr Sheils after the meeting.

**Endowments  
Management  
Committee**

**Head of  
Financial  
Services**

**Decided that**

it is recommended that the Endowment Fund Accounts should be adopted by the Trustees.

**33. Review of System of Internal Control 2017-18**

Mr Gillman led members through the paper asking the Committee to approve the report on the Review of the System of Internal Control. He described the areas of assurance that were considered in allowing the committee to review the NHS Board's system of internal control. This review enabled the completion of the draft Governance Statement contained in the Annual Report.

He advised members that the appendices to the paper contained a review of the NHS

Board's system of internal control based upon a number of sources of evidence, including the work of internal and external audit, a review of the NHS Board's governance arrangements, third party service audit reports and statements of assurance provided by directors.

Also attached to the paper as appendices were the draft Statement of Assurance from the Audit and Risk Committee to the NHS Board and the draft letter to the Scottish Government Health and Wellbeing Audit and Risk Committee.

The review concluded that three matters should be disclosed in the Audit and Risk Committee's assurance statement, the Chief Executive's Governance Statement and the letter to the Health and Wellbeing Audit and Risk Committee. These were in relation to three of the audit reviews undertaken during the year where there were high risk findings - Waiting Times Management, Achieving Financial Balance and Mental Health: Crisis Management. Internal Audit had acknowledged that management accepted the findings in these reviews and that action plans were put in place to address issues identified.

With regard to the mental health finding, Dr Lyons noted his concern about the wording; Ms Grant advised that the detail given in the annual report around the findings and management's response dealt adequately with this issue.

**Decided that**

1. the report on the Review of the System of Internal Control is noted;
2. the Statement of Assurance by the Audit and Risk Committee is approved for submission to the NHS Board on 26 June 2018;
3. the Governance Statement is approved for submission to the NHS Board on 26 June 2018, with a recommendation that the Chief Executive signs the Accountability Report, in which is contained the Governance Statement;
4. the letter to the Scottish Government Health and Wellbeing Audit and Risk Committee is approved.

**34. Draft Annual Report and Accounts**

Mr White thanked the team involved in the preparation of the accounts and then talked through the key points contained within the Overview, the Chief Executive's Statement, the Performance Analysis and the financial statements. He advised members that the NHS Board had met its three financial targets for the year.

There followed a full discussion on the report and accounts, particularly around the performance report, the SOCNE and the balance sheet, and whilst there were no significant issues raised by members, there were some presentational matters which required to be addressed. It was agreed that Mr Macleod and Mr Finnie should discuss these matters with Mr Ramsay and Mr Sheils after the meeting, and that any changes required would be made before the final draft was issued to the NHS Board.

**Decided that**

the Audit and Risk Committee recommended that

1. subject to the agreed changes being made, the Annual report and Consolidated Accounts should be adopted by the NHS Board;
2. the Chief Executive signs the Performance Report and the Accountability Report;

3. the Chief Executive and Director of Finance sign the Balance Sheet; and
4. the report and accounts are submitted to the Scottish Government Health Directorates.

### 35. Audit Scotland Report

Mr McConnell informed the meeting that that Audit Scotland's work was almost complete, and that, subject to the satisfactory conclusion of any outstanding matters, he anticipated that the audit opinion would be unqualified. He also thanked Mr Ramsay, Mr Sheils and their team for all their assistance during the audit.

Mr McConnell presented the draft Annual Audit Report, which summarised Audit Scotland's findings from the 2017-18 audit of NHS GGC. He described the key points that were contained in the report in each of the following sections:

- Annual report and accounts
- Financial management
- Financial sustainability
- Governance and transparency
- Value for money

Ms Maconachie then described the significant findings from the audit of the financial statements, specifically that:

- not all of the unaudited IJB accounts were received in the required timescale;
- Road Traffic Accident income was potentially mis-stated, but not materially;
- a number of debts over three years old and also overseas patients' debts had not been written off.

Ms Maconachie advised members that an action plan was being prepared to address these issues and as well as findings from the other sections covered by the audit report.

Dr Lyons enquired as to why some IJB accounts were not submitted as scheduled; Mr McConnell answered that this was because IJB work to local authority timescales and, because of this, the social care figures were not available at the same time as the health figures. There was discussion regarding the savings targets referred to in the Financial Sustainability section – Dr Lyons queried that different figures were presented to different groups. Mr White stated that while there may be slight differences due to a number of factors, the headline Financial Improvement Plan target was £93m.

Mr Macleod referred to the outstanding information that Audit Scotland awaited, and asked for assurance that this would be received before the NHS Board meeting. Mr White confirmed this would be supplied to Audit Scotland on time.

Mr Macleod thanked Mr McConnell for his report, and Mr Finnie also expressed his gratitude that it was available for the Audit Committee before being issued the NHS Board.

### Noted

**36. Internal Audit – draft plan 2018-19**

Mr Macleod introduced this agenda item by noting that this had been carried forward from the previous meeting to allow Scott-Moncrieff to meet with Board officials to agree the plan for the opening part audit year.

Mr Brown advised members that, since the last Audit and Risk Committee meeting, he had met with the Chief Executive and the Director of Finance to agree the draft audit plan to be approved by the committee, and that quarterly meetings had been scheduled. He would also be meeting the other directors over the course of the following weeks. In addition, Mr Brown noted that, moving forward, he intended to involve non-executive board members in the planning process.

Mr Macleod considered it was important for the Chief Executive to have input, and Ms Grant confirmed that, whilst there were still a couple of issues to be teased out, she had had a productive discussion with Scott-Moncrieff.

Mr Carr expressed concern that there was too much work scheduled for the second half of the year. Mr Brown acknowledged that it was a challenge to agree timings for audits, but that they would do as much as possible as soon as possible.

**Decided that**

subject to agreement around the final details with the Chief Executive, the Internal Audit Plan for 2018-19 was approved

**37. Dates of Future Meetings**

The following dates were noted for future meetings:

- Tuesday 11th September 2018, 9:30am
- Tuesday 11th December 2018, 9:30am

The meeting ended at 11:50am